

THE STATE BOARD OF THE  
GREAT OUTDOORS COLORADO  
TRUST FUND

FINANCIAL STATEMENTS  
and  
SUPPLEMENTAL INFORMATION

JUNE 30, 1999

# LEGISLATIVE AUDIT COMMITTEE

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**Members of the Legislative Audit Committee:**

This audit report contains the results of a financial and compliance audit of the State Board of the Great Outdoors Colorado Trust Fund for the Fiscal Year ended June 30, 1999. This audit was conducted pursuant to Article XXVII, Section 6(3) of the Colorado Constitution. This report presents our conclusions, findings and recommendations, and the responses of the Board and the Division of Wildlife and the Division of Parks and Outdoor Recreation.

September 8, 1999

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# THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

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## **REPORT SUMMARY**

### **The State Board of the Great Outdoors Colorado Trust Fund** Financial and Compliance Audit - June 1999

The Board's progress in drawing down reserves is reflected in three ways. First, this year is the first that expenditures exceeded revenue, as the Board began to draw down its fund balance accrued in previous years:

	<b><u>June 30, 1998</u></b>	<b><u>June 30, 1999</u></b>
Total year end operating fund balance	\$ 62,325,411	\$ 51,575,961

These figures show that the Board spent down more than \$10.7 million of its fund balance in the past year.

**The majority of the Board's fund balance is reserved for grants that have already been awarded, but for which grantees have not yet claimed reimbursement.** As a percent of total grants awarded, the amount of the Board's fund balance reserved for awarded grants has decreased. However, reserved fund balance has increased, indicating a continued need to monitor cash flows issues:

	<b><u>June 30, 1998</u></b>	<b><u>June 30, 1999</u></b>
Total grants awarded to date	\$ 90,699,066	\$ 138,017,204
Fund balance reserved for awarded grants	\$ 44,065,706	\$ 47,757,764
Reserved fund balance as a percentage of grants awarded	48.6%	34.6%

Another measure of progress in accelerating grant payments is in the decline of unreserved and undesignated fund balance while revenue has increased:

	<b><u>Fiscal Year 1998</u></b>	<b><u>Fiscal Year 1999</u></b>
Annual revenue	\$ 26,910,763	\$ 34,529,172
Unreserved and undesignated fund balance	\$ 16,983,955	\$ 3,168,197

### **Summary of Current Year Findings and Recommendations**

Our audit included the judgmental selection of 60 grant awards for specific projects to review. Of the 60 grants reviewed, 20 were administered by the Board's staff, 20 by the Division of Wildlife and 20 by the Division of Parks and Outdoor Recreation. The 60 grants reviewed represented \$16.7 million or 38% of the \$43.6 million in Fiscal Year 1999 grant expenditures. **Based on our review of the grants, the Board has established adequate controls and has met the provisions of Article XXVII.**

## **REPORT SUMMARY**

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### **The State Board of the Great Outdoors Colorado Trust Fund** Financial and Compliance Audit - June 1999

We have identified the following areas where improvements could benefit the Board's operations.

#### **IMPROVEMENT OF LEGACY PROJECT DOCUMENTATION**

The Division of Wildlife has not provided detailed project descriptions related to Legacy grant expenditures in their quarterly Project Status Report. Without such detail, the Board is unable to determine the nature of the expenditures and thus is unable to determine compliance with provisions of Article XXVII of the Colorado Constitution. **The Division of Wildlife should provide detailed project information on all Legacy grants in their Project Status Reports to the Board.**

*The Board agrees and the Division of Wildlife partially agrees with this audit recommendation.*

#### **WILDLIFE GRANTS ARE BELOW THE CONSTITUTIONAL REQUIREMENTS**

Article XXVII requires that "amounts expended for each of the [funding categories]...be substantially equal". Division of Wildlife Project Status Reports and billings are not being submitted with timely expenditure reporting and thus it is difficult to evaluate the percentage of dollars expended. **The Division of Wildlife should ensure that it is current in its expenditure reporting on the Project Status Reports and reimbursement billings.**

*The Board and the Division of Wildlife agree with this audit recommendation.*

#### **RECONCILIATION OF GRANT TRACKING INFORMATION**

Information contained in the Board's grant tracking system did not agree to the financial reporting system for certain grants tested. Thus, the Board and its management may not have accurate information upon which to base grant awarding decisions. **The grant tracking system should be reconciled to the financial reporting system on a monthly basis.**

*The Board agrees with this audit recommendation.*

#### **IMPROVED DOCUMENTATION OF DUE DILIGENCE**

The project files of certain grants tested did not contain legal documentation regarding due diligence on land purchases. Due diligence steps are important to protect the legal interest of the Board. **Legal due diligence documentation should be retained in the project file.**

*The Board agrees with this audit recommendation.*

## **REPORT SUMMARY**

**The State Board of the Great Outdoors Colorado Trust Fund**  
Financial and Compliance Audit - June 1999

### **Summary of Progress in Implementing Prior Audit Recommendations**

The prior year report for the year ended June 30, 1998 included two recommendations. The recommendation to put assets of the Deferred Compensation Plan (IRC Section 457) into trust was implemented. The recommendation concerning documentation of matching funds and grant completion by the Division of Wildlife has been implemented. Current year findings address additional issues regarding Division of Wildlife grants.

### **Required Communications**

The following specific matters are required to be discussed with the Audit Committee in accordance with Statement on Auditing Standards No. 61, *Communication with Audit Committees*. The matters discussed herein are those that we have noted as of September 8, 1999. We have not updated our procedures regarding these matters since that date to the current date. Accordingly, we advise you of the following with respect to The State Board of the Great Outdoors Colorado Trust Fund for the year ended June 30, 1999:

#### **Auditor's Responsibility Under Generally Accepted Auditing Standards and *Government Auditing Standards***

- ! Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* and was designed to provide reasonable, rather than absolute, assurance that the general purpose financial statements are free of material misstatement. Because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities or illegal acts, including fraud or defalcations, may exist and were not detected by us.
- ! Our audit of the Board's general purpose financial statements is not designed to determine the Board's readiness for the year 2000. Further, we have no responsibility with regard to the Board's efforts to make its systems or systems of vendors, service providers or any other third parties year 2000 ready, or to provide assurance on whether the Board has addressed or will be able to address all affected systems on a timely basis.

#### **Disagreements with Management**

There were no disagreements with management on accounting or financial reporting matters that, if not resolved in our favor, would have caused us to modify our opinion on the financial statements.

#### **Audit Process**

The staff of the Board and the Division of Parks and Outdoor Recreation were most cooperative throughout the audit.

The only difficulty encountered during the audit was cooperation from the Division of Wildlife in testing grants for which that Division is responsible. A listing of the grants we wanted to test was provided to the Division of Wildlife on July 21, 1999. We were finally notified by Division personnel that the information was ready for us to test on September 7, 1999.

**RECOMMENDATION LOCATOR**  
**THE STATE BOARD OF THE GREAT OUTDOORS**  
**COLORADO TRUST FUND**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**FISCAL YEAR ENDED JUNE 30, 1999**

<b>Rec No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Addressed</b>	<b>Agency Response</b>	<b>Implementation Date</b>
1.	7	The Division of Wildlife should provide detailed project information on all Legacy grants in their Project Status Reports to the Board.	State Board of the Great Outdoors Colorado Trust Fund; Colorado Division of Wildlife	Agree  Partially Agree	Fiscal Year 2000
2.	9	The Division of Wildlife should ensure that it is current in its expenditure reporting process on the Project Status Reports and reimbursement billings.	State Board of the Great Outdoors Colorado Trust Fund; Colorado Division of Wildlife	Agree  Agree	Fiscal Year 2000
3.	10	The grant tracking system should be reconciled to the financial reporting system on a monthly basis.	State Board of the Great Outdoors Colorado Trust Fund	Agree	Fiscal Year 2000
4.	10	Legal due diligence documentation should be retained in the project file.	State Board of the Great Outdoors Colorado Trust Fund	Agree	Fiscal Year 2000

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DESCRIPTION OF  
THE STATE BOARD OF THE GREAT OUTDOORS  
COLORADO TRUST FUND

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The Great Outdoors Colorado Trust Fund (the Trust) and the State Board (the Board) that oversees the Trust were created by Article XXVII of the Colorado Constitution. Article XXVII is the result of the passage of the Great Outdoors Colorado Initiative (Amendment 8) during the November 3, 1992 election. Fiscal Year 1999 is the sixth year of operations for the Board. During 1998 Senate Bill 3 (effective August 8, 1998) extended the termination date of the State Lottery from July 1, 1999 to July 1, 2009, thus continuing funding for the Board through July 1, 2009.

Article XXVII establishes procedures for the distribution of net proceeds from state-supervised lottery games. The intent of Article XXVII is to use a portion of net Lottery proceeds to provide funding for wildlife, park, river, trail and open space resources and related programs. To ensure this, Article XXVII allocates part of net lottery proceeds to the Trust for administration by the Board. In turn, the Board is responsible for funding appropriate programs through designated state and local agencies as well as other qualifying entities.

The Board is composed of fifteen members. Monies allocated to the Board's Trust are for the purposes established in Article XXVII and are not subject to appropriation for any other purpose. The Board is a political subdivision of the State. The Board had a permanent staff of sixteen during Fiscal Year 1999.

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## **FINDINGS AND RECOMMENDATIONS**

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Our audit included an examination of the Board's financial records, a review of internal control systems including grant monitoring and an evaluation of compliance with relevant State constitutional and statute provisions.

**The Board has established adequate controls and has met the provisions of Article XXVII.**

We identified the following areas where additional efforts could be beneficial:

1. Improvement of Legacy project documentation.
  2. The Division of Wildlife is below Constitutional requirements.
  3. Reconciliation of grant tracking information.
  4. Improved documentation of due diligence.
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### **IMPROVEMENT OF LEGACY PROJECT DOCUMENTATION**

Projects funded under the Legacy Grant Program consist of multiple phases or goals. Expenditures within one Legacy project may be for a wide variety of purposes, such as land purchase, construction, and educational programs. Currently, the quarterly Project Status Reports from the Division of Wildlife contain only a single line of information relating to total expenditures incurred on all phases of a Legacy project. As a result, the Board has been unable to approve these expenditures on a timely basis. In order for the Board to determine if expenditures are being made for appropriate purposes, the costs incurred by the Division of Wildlife need to be categorized by key phases or goals of the project.

#### **Recommendation No. 1:**

The Division of Wildlife should provide detailed project information on all Legacy grants in their Project Status Reports to the Board.

#### **State Board of the Great Outdoors Colorado Trust Fund Response:**

Agree: The Board agrees with this audit recommendation.

## **FINDINGS AND RECOMMENDATIONS**

### **The State Board of the Great Outdoors Colorado Trust Fund**

Financial and Compliance Audit - June 1999

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#### **Colorado Division of Wildlife Response:**

Partially agree. For the Yampa Legacy project which is detailed in the audit report, reporting requirements were not detailed at the inception of the grant. As a result, the grant was tracked by the Division of Wildlife, as a single unit, rather than by smaller components. Individual portions have since been reported, billed and reimbursed by the Board to the Division of Wildlife. In an effort to ensure that grants are reported in the format required by the grantor, the Board and

the Division of Wildlife staff members have agreed to meet at the time of Legacy grant funding to agree on the reporting categories for components of these grants. However, the format of the reporting should reflect the organization of the Legacy grant rather than be based on the format of the smaller, single-year base-funding grants reported on "Project Status Reports".

#### **WILDLIFE GRANTS ARE BELOW THE CONSTITUTIONAL REQUIREMENTS**

The MOU between the Board and the Divisions includes a provision that "within 60 days of the end of each calendar quarter, the Divisions..shall report to the Board the progress of each project, expenditures of grant funds and matching funds, and status of each project for the preceding calendar quarter on a 'Project Progress Report' form." After the Board receives and approves the Project Status Report, the final cash transfer for the quarter is made through the State Treasurer to the Division for the expenditures claimed. Although the Project Status Reports were filed timely, we noted instances where the expenditure information provided was not current. For eleven of the twenty grants tested, we noted a lag of four to seven months between the expenditure by the Division of Wildlife and the Project Status Reporting and reimbursement billing to the Board.

The lag in reporting of expenditures combined with the lack of documentation in the first finding is having an effect on the Board's ability to ensure compliance with the constitutional requirement for Wildlife expenditures to be generally equal to expenditures in the other three categories. In addition, cumulative grants awarded to the Division of Wildlife are also below the constitutional requirement. Cumulative expenditures and grants awarded through June 30, 1999 are as follows:

## **FINDINGS AND RECOMMENDATIONS**

### **The State Board of the Great Outdoors Colorado Trust Fund Financial and Compliance Audit - June 1999**

<b><u>Program Category</u></b>	<b><u>Grants Expended</u></b>	<b><u>Percent of Total Expended</u></b>	<b><u>Grants Awarded</u></b>	<b><u>Percent of Total Awarded</u></b>
Category 1 - Wildlife \$	19,349,529	21.4%	\$ 27,336,640	19.8%
Category 2 - Outdoor recreation	23,116,112	25.6%	36,619,416	26.5%
Category 3 - Competitive open space and natural areas	26,188,559	29.0%	37,472,243	27.2%
Category 4 - Competitive grants to local governments	20,489,022	22.7%	35,392,687	25.6%
Noncategorized - Discretionary **	1,116,218	1.3%	1,116,218	.8%
Awaiting categorization***			80,000	.1%
	<u>\$ 90,259,440</u>	<u>100.0%</u>	<u>\$ 138,017,204</u>	<u>100.0%</u>

\*\* Includes \$991,218 related to a federal grant for agricultural easement purchases for which the Board has acted as a pass through agent to the final grantee.

\*\*\* Relates to multi-category Legacy Grant Program awards which had not been categorized as of June 30, 1999.

#### **Recommendation No. 2:**

The Division of Wildlife should ensure that it is current in its expenditure reporting process on Project Status Reports and reimbursement billings.

#### **State Board of the Great Outdoors Colorado Trust Fund Response:**

Agree: The Board agrees with this audit recommendation. The Board will be considering during fiscal year 2000 a plan to bring the four funding quadrants into balance by fiscal year 2002.

#### **Colorado Division of Wildlife response:**

Agree: During the Fiscal Year 1999, the Division of Wildlife was late by only one working day on two occasions and met the deadlines for the two other reporting periods which demonstrates substantial compliance with the MOU reporting requirement for the Project Status Reports. For Fiscal Year 1999, there are mitigating circumstances surrounding the submission of billing statements including United State Fish and Wildlife Service billing, Board staff changes and Yampa Legacy reporting/billing format issues. Following an internal reallocation of personnel resources, the Division of Wildlife hired a grants specialist who is responsible for preparing and submitting a monthly billing statement to the Board for reimbursement of expenditures incurred by the Division of Wildlife for Board projects.

## **FINDINGS AND RECOMMENDATIONS**

### **The State Board of the Great Outdoors Colorado Trust Fund**

Financial and Compliance Audit - June 1999

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#### **RECONCILIATION OF GRANT TRACKING INFORMATION**

The Board's grant tracking system accumulates information on each individual grant such as grant amount, expenditures to date and the balance left to be expended. It is an important tool used to monitor the status of grants awarded, to assist in analyzing compliance with the Constitution and in making grant awarding decisions. The financial reporting system is the primary source for accumulating the financial information of grants, since the actual expenditures are recorded there. Information contained in the grant tracking system did not agree to the financial reporting system. Although the amounts were not significant, the risk of offsetting errors may exist. Thus, the grant tracking system must agree with the financial reporting system to ensure the grant information is accurate.

#### **Recommendation 3:**

The grant tracking system should be reconciled to the financial reporting system on a monthly basis.

#### **State Board of the Great Outdoors Colorado Trust Fund Response:**

Agree: The Board agrees with this audit recommendation. The Board has begun implementing corrections to this problem and anticipates having them completed during the current fiscal year.

#### **IMPROVED DOCUMENTATION OF DUE DILIGENCE**

The due diligence process is an extremely important part of the land purchase process since it helps to protect the legal interest of the Board. It includes the review of various documents such as the purchase and sales agreements, appraisal, survey, title insurance, water rights information and environmental assessments. Several of the project files tested contained only a checklist indicating that the due diligence process had been completed, but did not contain written documentation from the attorney concerning the work actually performed.

#### **Recommendation 4:**

Legal due diligence documentation should be retained in the project file.

#### **State Board of the Great Outdoors Colorado Trust Fund Response:**

Agree: The Board agrees with this audit recommendation. The Board anticipates that effective immediately, all due diligence documentation from attorneys and copies of all signed closing documents will be filed within two weeks of closing. (Closings do not take place unless information from attorneys has at least been transmitted verbally.) All legal documents requiring recording will be filed as soon as they are available from title companies and other sources.

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## **DISPOSITIONS OF PRIOR AUDIT RECOMMENDATIONS**

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The following audit recommendations are from the State Board of the Great Outdoors Colorado Trust Fund financial and compliance audit for the year ended June 30, 1998.

### **Recommendation**

### **Disposition**

1. The MOU signed between the Board and the Divisions requires the Divisions to follow agreed upon procedures and generate and maintain specific documentation concerning matching funds and modifications to time line and completion of closing in the administration of the grant funding they receive from the Board. We recommend that the Board review the importance of the MOU requirements with the Division of Wildlife. The requirements are in place to ensure that there is complete and consistent documentation to support each grant's activity.

Implemented. The specific documentation issues were not noted in the testing of grant expenditures during the year ended June 30, 1999.

2. The Board should establish the Deferred Compensation Plan under a trust relationship in accordance with Internal Revenue Code Section 457 by January 1, 1999.

Implemented. The assets of the plan were placed into a trust relationship effective on January 1, 1999.

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## FINANCIAL STATEMENT SECTION

## INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee

We have audited the accompanying general purpose financial statements of the State Board of the Great Outdoors Colorado Trust Fund as of and for the year ended June 30, 1999, as listed in the foregoing Table of Contents. These general purpose financial statements are the responsibility of the State Board of the Great Outdoors Colorado Trust Fund's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State Board of the Great Outdoors Colorado Trust Fund at June 30, 1999 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 1999 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information as listed in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the State Board of the Great Outdoors Colorado Trust Fund. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

September 8, 1999

# GENERAL PURPOSE FINANCIAL STATEMENTS

**THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND**

**COMBINED BALANCE SHEET**

JUNE 30, 1999

	<b>Governmental Fund Special Revenue Fund</b>	<b>Fiduciary Fund Pension Trust Fund</b>	<b>Account Group General Fixed Assets</b>
<b>ASSETS</b>			
Cash and investments	\$ 48,986,460	\$	\$
Cash and investments held by trustees		301,601	
Lottery proceeds receivable	8,750,242		
Notes receivable	650,000		
Federal grant receivable	491,818		
Other receivables		8,061	
Other assets	694		
Property and equipment			299,950
Total assets	<u>\$ 58,879,214</u>	<u>\$ 309,662</u>	<u>\$ 299,950</u>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Approved grants payable	\$ 7,119,706	\$	\$
Accounts payable	144,026		
Compensated absences payable	39,521		
Deferred compensation benefits payable			
Total liabilities	<u>7,303,253</u>	<u>—</u>	<u>—</u>
<b>FUND EQUITY</b>			
Investment in general fixed assets			299,950
Fund balance			
Reserved for pension benefits		309,662	
Reserved for noncurrent notes receivable	650,000		
Reserved for awarded grants	47,757,764		
Designated for immediate opportunity fund program			
Unreserved and undesignated	3,168,197		
Total fund equity	<u>51,575,961</u>	<u>309,662</u>	<u>299,950</u>
Total liabilities and fund equity	<u>\$ 58,879,214</u>	<u>\$ 309,662</u>	<u>\$ 299,950</u>

<b>Totals</b>	
<b>(Memorandum Only)</b>	
<u>1999</u>	<u>1998</u>
\$ 48,986,460	\$ 62,455,865
301,601	423,776
8,750,242	1,476,277
650,000	300,000
491,818	170,000
8,061	9,653
694	257
299,950	214,439
<u>\$ 59,488,826</u>	<u>\$ 65,050,267</u>

\$ 7,119,706	\$ 1,971,311
144,026	84,736
39,521	20,941
	<u>227,220</u>
<u>7,303,253</u>	<u>2,304,208</u>

299,950	214,439
309,662	206,209
650,000	
47,757,764	44,065,706
	1,275,750
<u>3,168,197</u>	<u>16,983,955</u>
<u>52,185,573</u>	<u>62,746,059</u>
<u>\$ 59,488,826</u>	<u>\$ 65,050,267</u>

The accompanying notes are an integral part of the financial statements.

**THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND**

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND  
BALANCE

SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 1999

	<u>1999</u>	<u>(Memorandum Only) 1998</u>
<b>REVENUE</b>		
State Lottery proceeds	\$ 31,231,743	\$ 22,944,509
Net investment and miscellaneous income	2,476,211	3,796,254
Federal grant proceeds	<u>821,218</u>	<u>170,000</u>
Total revenue	<u>34,529,172</u>	<u>26,910,763</u>
<b>EXPENDITURES</b>		
Grants expended	43,619,453	17,395,410
Payment in lieu of tax grants	6,627	1,674
Department of Natural Resources administration		10,000
Personnel services and benefits	897,541	679,917
Contract services	287,543	249,784
Operating expenditures	332,906	247,331
Capital outlay	<u>134,552</u>	<u>28,100</u>
Total expenditures	<u>45,278,622</u>	<u>18,612,216</u>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	(10,749,450)	8,298,547
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>62,325,411</u>	<u>54,026,864</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 51,575,961</u>	<u>\$ 62,325,411</u>

The accompanying notes are an integral part of the financial statements.

**THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE**  
**PENSION TRUST FUND**  
**YEAR ENDED JUNE 30, 1999**

	<b>1999</b>	<b>(Memorandum Only) 1998</b>
	<u>          </u>	<u>          </u>
<b>OPERATING REVENUE</b>		
Contributions	\$ 71,317	\$ 57,887
Interest and investment income	<u>42,063</u>	<u>14,709</u>
Total operating revenue	<u>113,380</u>	<u>72,596</u>
<b>OPERATING EXPENSES</b>		
Distributions	<u>9,927</u>	<u>          </u>
<b>NET INCOME</b>	103,453	72,596
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>206,209</u>	<u>133,613</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 309,662</u>	<u>\$ 206,209</u>

The accompanying notes are an integral part of the financial statements.

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1999

### **NOTE 1) DEFINITION OF REPORTING ENTITY**

The State Board of the Great Outdoors Colorado Trust Fund (the Board), a political subdivision of the State of Colorado, was established at the 1992 General Election through the electorate's adoption of Amendment 8, that resulted in Article XXVII of the Colorado Constitution. Article XXVII established the Great Outdoors Colorado Trust Fund and the Board as the trustee of the trust fund and allocates certain net proceeds of the Colorado Lottery to the Board in trust. Article XXVII authorizes the Board to use these funds to preserve and enhance Colorado parks, wildlife, trails, rivers, open space and natural areas by making strategic investments, fostering partnerships among diverse interests, and supporting education about the outdoor environment of the State of Colorado.

The Board follows the Governmental Accounting Standards Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Board is a separate political subdivision of the State of Colorado as stated in Article XXVII. The Board is not considered to be a component unit of the State for the purpose of the State's annual financial reporting.

### **NOTE 2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the Board are described as follows:

#### **a) Fund Accounting**

The accounts of the Board are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. Fund types and account groups used by the Board are described below.

#### **Governmental Fund Type**

Special Revenue Fund - Special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Substantially all of the Board's resources are obtained from net lottery proceeds received from the Colorado State Lottery Division, as set forth in Article XXVII. The Board's resources are intended for the purposes established in Article XXVII.

## **Fiduciary Fund Type**

Pension Trust Fund - Defined Contribution Plan - The Board has established a pension plan for its employees in the form of an employer funded defined contribution plan.

## **Account Group**

General Fixed Assets Account Group - This group of accounts is established to account for the recorded fixed assets of the Board.

### **b) Basis of Accounting**

The modified accrual basis of accounting is followed in the governmental fund type. Revenue is recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Lottery proceeds, grant proceeds and interest are susceptible to accrual. Expenditures are recorded when the liability is incurred. Grant expenditures are recorded when the grantee has expended the funds and requested reimbursement from the Board.

The accrual basis of accounting is utilized in the pension trust fund. Revenue is recognized when earned and expenses are recognized when the liability is incurred.

### **c) Budgets**

The Board's budget is not legislatively adopted, therefore a statement of revenues and expenditures - budget and actual is not a required part of these financial statements. A schedule of revenue and expenditures - budget and actual is included for information purposes in the supplemental information.

### **d) Property and Equipment**

The Board includes items with a cost greater than \$250 and a useful life greater than one year in the General Fixed Asset Account Group.

Property and equipment are stated at cost. No depreciation is provided on general fixed assets.

### **e) Accrual for Compensated Absences**

The Board has a policy that allows permanent full-time employees to accumulate unused vacation benefits. The Board also allows the accumulation of compensatory time up to a maximum of 40 hours. (Sick leave is forfeited upon termination of employment with the Board and therefore is not accrued on the Board's financial statements). A liability has been recorded for compensated absences in the financial statements.

**f) State Lottery Proceeds**

State Lottery proceeds are a distribution from the Colorado State Lottery Division based on the calculation of net proceeds and allocations established in Article XXVII. The calculation of net proceeds incorporates Lottery revenue, operation expenses, prize payments, and certain reserves. Article XXVII provides for net proceeds to be distributed not less than quarterly to the Conservation Trust Fund and Division of Parks and Outdoor Recreation in amounts allocable by statute as amended as of January 1, 1992; to certain debt service payments through November 1998; and to the Board for the Trust.

The Board's share has been limited by Article XXVII to \$35 million annually plus increases in the Consumer Price Index compounded annually. The share for Fiscal Year 2000 has been estimated to be \$43.4 million.

**g) Fund Equity**

**Fund Balance**

The fund balances have been reserved for that portion of the fund balance that is legally segregated or is not subject to future utilization. Designations of unreserved fund balances indicate the Board's intention for future utilization of such funds and are subject to change by the Board.

**Reserved Fund Balance**

An amount of the fund balance equal to the reported notes receivable is reserved to indicate that the notes are not current and do not constitute spendable resources even though the notes are a component of net assets.

The reserved fund balance in the Special Revenue Fund in the amount of \$47,757,764 represents the amount of grants awarded, but not yet expended.

The reserved fund balance in the Pension Trust Fund represents a reserve for pension benefits payable.

**h) Totals (Memorandum Only)**

Total columns on the combined statements are captioned "(Memorandum Only)" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

### NOTE 3) CASH DEPOSITS AND INVESTMENTS

#### Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all political subdivisions of the State deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Deposits are categorized to give an indication of the level of credit risk related to custody of assets assumed by the government at the end of the year. Category 1 includes deposits that are insured, Category 2 includes collateralized deposits held by the pledging institution's trust department or agent in the Board's name and Category 3 includes uncollateralized, uninsured deposits.

At June 30, 1999, the Board's cash deposits had a bank balance and a carrying balance as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Cash on hand	\$	\$ 152
Insured deposits - Category 1	100,000	48,287
Deposits collateralized in single institution pools - Category 2	211,895	
	<u>\$ 311,895</u>	<u>\$ 48,439</u>

#### Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which a political subdivision may invest which include:

- . Obligations of the United States and certain U.S. government agency securities
- . Certain international agency securities
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

Investments in the State Treasurer's cash pool, mutual funds and money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Investments are stated at fair value.

State Treasurer's cash pool	\$ 48,938,021
Mutual Funds - Pension	271,735
Money Market Funds - Pension	<u>29,866</u>
Total investments	<u>\$ 49,239,622</u>

**State Treasurer's Cash Pool**

Article XXVII created and established the Great Outdoors Colorado Trust Fund (Trust Fund) in the Treasury of the State of Colorado. Article XXVII requires that all net lottery proceeds are to be deposited into the Trust Fund to be used for the purposes set forth in Article XXVII. The State Treasurer has invested the monies held in the Trust Fund in the State Treasurer's cash pool. A detailed composition of the cash and investments is available in the annual State Treasurers's Report.

**Summary**

Total cash deposits and investments at June 30, 1999 are as follows:

Cash deposits	\$ 48,439
Investments	<u>49,239,622</u>
Total cash deposits and investments	<u>\$ 49,288,061</u>

Cash deposits and investments are reflected on the balance sheet as follows:

Cash and investments	\$ 48,986,460
Cash and investments held by trustees	<u>301,601</u>
	<u>\$ 49,288,061</u>

**NOTE 4) LOTTERY PROCEEDS RECEIVABLE**

At June 30, 1999, the Board had distributions owed from the Colorado State Lottery amounting to \$8,750,242. This represents the Board's allocation of net proceeds from the Colorado State Lottery Division for the months of April through June 1999. The Board received these revenues in September.

**NOTE 5) NOTES RECEIVABLE**

Article XXVII provides the Board with the discretion to make expenditures that it considers necessary and proper to the accomplishment of the objectives of Article XXVII. In this capacity, the Board has two loans outstanding at June 30, 1999 for \$650,000. An analysis of loan activity during the year ended June 30, 1999 is as follows:

## Windstar Land Conservancy

The Board entered into a loan agreement with the Windstar Land Conservancy for \$300,000. The loan accrued interest at annual interest rates from 3% to 6%, compounded every three months. Interest and principal were paid in December 1998.

## Larimer County

The Board entered into a loan agreement with Larimer County for \$650,000. The agreement consists of two notes with the following terms:

<u>Interest Rates</u>	<u>\$300,000 Due February 18, 2001</u>	<u>\$350,000 Due February 18, 2002</u>
February 18, 1999 - February 17, 2000	3%	0%
February 18, 2000 - February 17, 2001	Colorado State Treasurer's Rate	3%
February 18, 2001 - February 18, 2002		C o l o r a d o State Treasurer's Rate

## Summary

An analysis of the changes in notes receivable for the year ended June 30, 1999 follows:

Balance at July 1, 1998	\$ 300,000
Loans made	650,000
Loan repayments	<u>(300,000)</u>
Balance at June 30, 1999	<u>\$ 650,000</u>

## NOTE 6) PROPERTY AND EQUIPMENT

An analysis of the changes in property and equipment for the year ended June 30, 1999 follows:

	<u>Balance at July 1, 1998</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 1999</u>
Equipment	\$ 130,927	\$ 24,662	\$ 24,123	\$ 131,466
Software	29,602	7,833	4,118	33,317
Furniture	48,072	21,039	14,962	54,149
Improvements	5,838	81,018	5,838	81,018
	<u>\$ 214,439</u>	<u>\$ 134,552</u>	<u>\$ 49,041</u>	<u>\$ 299,950</u>

**NOTE 7) AWARDED GRANTS AND EXPENDED GRANTS**

The following is a summary of grants awarded and grants expended from inception in 1995 through June 30, 1999:

**Grants Awarded:**

	<b>Cumulative Awarded Grants at June 30, 1998</b>	<b>Transfers/ Additions</b>	<b>Transfers/ Deletions</b>	<b>Cumulative Awarded Grants at June 30, 1999</b>
Colorado Division of Wildlife	\$ 18,833,654	\$ 9,914,210	\$ 1,411,224	\$ 27,336,640
Colorado State Parks and Outdoor Recreation	21,402,989	15,556,020	339,593	36,619,416
Open space	26,322,530	11,249,713	100,000	37,472,243
Local governments	23,843,863	11,636,428	87,604	35,392,687
Noncategorized - Discretionary	295,000	821,218		1,116,218
Awaiting categorization**	1,030	80,000	1,030	80,000
	<u>\$ 90,699,066</u>	<u>\$ 49,257,589</u>	<u>\$ 1,939,451</u>	<u>\$ 138,017,204</u>

\*\* Relates to multi-category Legacy Grant Program awards which had not been categorized as of June 30, 1999.

**Grants Expended:**

	<b>Cumulative Expended for Grants at June 30, 1998</b>	<b>Net Additions and Transfers</b>	<b>Cumulative Expended for Grants at June 30, 1999</b>
Colorado Division of Wildlife	\$ 11,188,018	\$ 8,161,511	\$ 19,349,529
Colorado State Parks and Outdoor Recreation	11,331,068	11,785,044	23,116,112
Open space	10,984,559	15,204,000	26,188,559
Local governments	12,865,965	7,623,057	20,489,022
Noncategorized - Discretionary	263,750	852,468	1,116,218
	<u>\$ 46,633,360</u>	<u>\$ 43,626,080</u>	<u>\$ 90,259,440</u>

Fund balance is reserved for grants as they are approved and awarded by the Board. An analysis of the changes in reserved fund balance for approved grants for the year ended June 30, 1999 follows:

Reserved fund balance at June 30, 1998	\$ 44,065,706
Net approved grants for the year ended June 30, 1999	47,318,138
Grant expenditures for the year ended June 30, 1999	<u>(43,626,080)</u>
Reserved fund balance at June 30, 1999	<u>\$ 47,757,764</u>

**NOTE 8) IMMEDIATE OPPORTUNITY FUND PROGRAM**

During the 1995 Fiscal Year, the Board established an Immediate Opportunity Fund (IOF) grant and loan program. This program was established to provide grants and loans to entities for land acquisition projects that are of an immediate nature. The Board provided initial funding to this program of \$2 million in 1995. During the year ended June 30, 1999, the Board decided to fund these types of grants on a per project basis from unreserved funds.

**NOTE 9) COMMITMENTS AND CONTINGENCIES**

**Operating Lease**

The Board leases facilities under an operating lease which expires in April 2004 with a one year renewal option. Total facilities and equipment rental lease expense for the year ended June 30, 1999 was \$62,892. The future minimum lease payments under the facilities lease are as follows:

Fiscal year ended June 30,2000	\$ 138,574
2001	138,574
2002	138,574
2003	138,574
2004	<u>127,026</u>
	<u>\$ 681,322</u>

**NOTE 10) PENSION PLANS**

As a political subdivision of the State, the Board has elected not to use the Public Employees Retirement Association of Colorado (PERA). The Board has established a retirement plan that consists of a employer funded Defined Contribution Pension Plan and an employee funded Deferred Compensation Plan.

**Defined Contribution Plan**

The employees of the Board participate in a defined contribution plan maintained and administered by the Trust Division of the First National Bank in Fort Collins. At June 30, 1999, there were 18 active plan members. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Board's Defined Contribution Pension Plan covers all permanent employees with no probationary period for the employees to become participants in the plan. Board contributions are calculated based on 10.2% of each eligible employee's gross salary (base salary plus annual performance awards). Employees become vested at a rate of 50% after one year of employment and 100% after two years of employment. Board contributions for employees who leave employment before two years of participation are forfeited by the employee. These forfeitures can be used to reduce the Board's required contributions one year after the employee's separation date. There is no liability for benefits under the plan beyond the Board's required contributions. A committee comprised of the Board's Finance Committee and the Board's Executive Director act as trustees for the plan, directing investments of the plan. Plan provisions and contribution requirements are established and may be amended by the Board.

The Board's contributions were calculated using the gross salaries total of \$748,118. The Board made the required 10.2% contribution amounting to \$76,308.

### **Deferred Compensation Plan**

The Board has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by a financial institution at the direction of each employee for his/her own account. The plan allows the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement or death or unforeseen emergencies.

Contributions to the plan are made by the Board's employees through a pre-tax payroll deduction. Contributions to the plan are mandatory for all permanent employees with a minimum required contribution of 6.2% of each employee's gross salary. Contributions above 6.2% are allowed on a voluntary basis. No vesting period is required for the Deferred Compensation Plan.

During Fiscal Year 1999, the Board amended the Section 457 deferred compensation plan so that all amounts deferred are held in trust for the exclusive benefit of participating employees. Such amendment was effective on January 1, 1999. Therefore, the assets of the plan are no longer reflected in an Agency Fund of the Board.

## **NOTE 11) RELATED PARTIES-STATE AGENCIES**

### **Board Composition and Approval of Grants**

The Board is composed of fifteen members, twelve of whom are public members appointed by the Governor, subject to the consent of the Senate. The three ex-officio members include the Executive Director of the Colorado Department of Natural Resources; a representative designated by the State Board of Parks and Outdoor Recreation; and a representative designated by the Colorado Wildlife Commission. The State Board of Parks and Outdoor Recreation and the Colorado Wildlife Commission are the governing bodies of the Colorado Division of Parks and Outdoor Recreation and the Colorado Division of Wildlife, respectively. These State agencies are under the administrative direction of the Colorado Department of Natural Resources.

Under the Colorado Constitution, the Board is responsible for ensuring that expenditures are made for purposes stipulated, including investing in wildlife resources through the Colorado Division of Wildlife and investing in outdoor recreation resources through the Colorado Division of Parks and Outdoor Recreation. In addition, the Colorado Division of Wildlife and the Colorado Division of Parks and Outdoor Recreation are eligible to apply for competitive grants for open space and natural areas of statewide significance, along with local governmental entities and non-profit land conservation organizations.

**NOTE 12) RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The Board carries commercial insurance coverage for all risks of loss including workers compensation and employee health and accident insurance.

The Board has settled one claim since inception, which did not exceed commercial coverage.

**NOTE 13) TAX, SPENDING AND DEBT LIMITATIONS**

In November 1992, Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to the State of Colorado and all local governments. In the same general election, Article XXVII was passed creating the State Board of the Great Outdoors Colorado Trust Fund. The simultaneous passage of these two constitutional amendments raised questions as to whether there are irreconcilable conflicts between the two amendments.

The General Assembly determined, in CRS 24-77-102(17)(6)(ix), that the net proceeds from the Colorado Lottery that are deposited in the Trust for administration by the Board are excluded from the scope of "state fiscal year spending" for purposes of TABOR. The Colorado Supreme Court, in response to an interrogatory from the General Assembly approved that determination.

TABOR is complex and subject to further legislative and judicial interpretation. The Board believes it is in compliance with both of these constitutional amendments.

**NOTE 14) YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Board's operations.

The Board has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting Board operations. The Board has identified the following systems requiring year 2000 remediation:

**Financial reporting system.** The Board is in the remediation stage and believes, based upon discussions with its vendors, that the software and hardware it currently uses will continue to work on and after January 1, 2000. No formal testing procedures have been performed.

The Board has identified the following systems that may be affected by the Year 2000 issues but are operated by external entities:

**State lottery system.** The Board receives a majority of its revenue from lottery proceeds collected by the State of Colorado. The State is responsible for remediating its electronic data processing systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Board management cannot assure that the Board is or will be Year 2000 ready, that the Board's remediation efforts will be successful in whole or in part or that parties with whom the Board does business will be year 2000 ready.

## SUPPLEMENTAL INFORMATION

**THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND**

SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL

SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 1999

	<u>Budget</u>	<u>Actual</u>	<b>Variance- Favorable (Unfavorable)</b>
<b>REVENUE</b>			
State Lottery proceeds	\$ 39,851,665	\$ 31,231,743	\$ (8,619,922)
Net investment and miscellaneous income	2,360,000	2,476,211	116,211
Federal grant proceeds		<u>821,218</u>	<u>821,218</u>
Total revenue	<u>42,211,665</u>	<u>34,529,172</u>	<u>(7,682,493)</u>
<b>EXPENDITURES</b>			
Grants	48,222,232	43,619,453	4,602,779
Payment in lieu of tax grants	5,000	6,627	(1,627)
Department of Natural Resources administration	10,000		10,000
Personal services and benefits	901,217	897,541	3,676
Contract services	341,847	287,543	54,304
Operating expenditures	308,994	332,906	(23,912)
Capital outlay	62,912	134,552	(71,640)
Contingency	<u>25,000</u>		<u>25,000</u>
Total expenditures	<u>49,877,202</u>	<u>45,278,622</u>	<u>4,598,580</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	(7,665,537)	(10,749,450)	(3,083,913)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>62,325,411</u>	<u>62,325,411</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 54,659,874</u>	<u>\$ 51,575,961</u>	<u>\$ (3,083,913)</u>

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**Members of the Legislative Audit Committee**

We have audited the accompanying general purpose financial statements of the State Board of the Great Outdoors Colorado Trust Fund (the "Board") as of and for the year ended June 30, 1999 and have issued our report thereon dated September 8, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether the Board's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the Members of the Legislative Audit Committee in the Findings and Recommendations section as listed in the foregoing Table of Contents.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Legislative Audit Committee. However, this report is a matter of public record and its distribution is not limited.

September 8, 1999

ADDITIONAL INFORMATION  
FOR SINGLE AUDIT

**THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 1999**

<b><u>U.S. Department of Agriculture</u></b>	<b><u>CFDA #</u></b>	<b><u>Expenditures</u></b>
Farmland Protection Program	10.913	<u>\$ 821,218</u>

**THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 1) BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The State Board of the Great Outdoors Colorado Trust fund and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

**NOTE 2) SUBRECIPIENTS**

All of the expenditures incurred by the Board under the Farmland Protection Program, CFDA No. 10.913 were awarded to the Colorado Cattlemen's Agricultural Land Trust.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Members of the Legislative Audit Committee**

**COMPLIANCE**

We have audited the compliance of The State Board of the Great Outdoors Colorado Trust Fund (Board) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The Board's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

## **INTERNAL CONTROL OVER COMPLIANCE**

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Legislative Audit Committee and the U.S. Department of Agriculture and is not intended to be and should not be used by anyone other than these specified parties.

September 8, 1999

**THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 1999**

**PART I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified  
Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_ yes    √ no  
Reportable condition(s) identified  
not considered to be material weaknesses? \_\_\_ yes    √ none reported  
Noncompliance material to financial statements  
noted? \_\_\_ yes    √ no

**Federal Awards**

Internal control over major programs:  
Material weakness(es) identified? \_\_\_ yes    √ no  
Reportable condition(s) identified  
not considered to be material weaknesses? \_\_\_ yes    √ none reported

Type of auditor's report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with Circular  
A-133, Section .510(a)? \_\_\_ yes    √ no

Identification of major programs:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
10.913	Farmland Protection Program

Dollar threshold used to distinguish between  
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_ yes    √ no

**PART II - FINDINGS RELATED TO FINANCIAL STATEMENTS**

There were no findings required to be reported under generally accepted government auditing standards.

**PART III - FINDINGS RELATED TO FEDERAL AWARDS**

There were no findings or questioned costs for Federal Awards required to be reported under OMB A-133 standards.

**THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND**

YEAR ENDED JUNE 30, 1999

**CORRECTIVE ACTION PLAN**

There were no findings required to be reported under generally accepted government auditing standards or OMB A-133 standards that would have a direct and material effect on the determination of financial statement amounts or a major federal program.

**PRIOR AUDIT FINDINGS**

There were no prior findings for the year ended June 30, 1998 required to be reported under generally accepted government auditing standards or OMB A-133 standards that would have a direct and material effect on the determination of financial statement amounts or a major federal program.

## **DISTRIBUTION**

COPIES OF THIS REPORT HAVE BEEN DISTRIBUTED TO:

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